

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
MARCH 26, 1996
CHICAGO, ILLINOIS**

A Regular Meeting of the Illinois Gaming Board was held on March 26, 1996 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Byron G. Cudmore, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph C. Haughey, Thomas Swoik and Kevin Lockhart, Chief Legal Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. The Board by unanimous consent adjourned to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matter:

1. Issues Concerning Applicants and Licensees
2. Recommendations of Administrative Law Judges
3. Pending and Probable Litigation Matters
4. Investigatory Matters
5. Personnel Matters
6. Closed Session Minutes

The Illinois Gaming Board reconvened in Open Session at 12:34 p.m.

Member Pyatt moved that the Board approve the minutes from the open and closed sessions of the February 27, 1996 regular meeting and the special meeting of March 15, 1996. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

The next order of business was the Administrator's Report.

Administrator Belletire reported that Adjusted Gross Receipts ("AGR") for February were approximately \$101.4 million -- a 7 percent increase from January 1996, but a 14.8 percent increase from comparable figures for February 1995. The Win per Admission for February was \$48, while the Win per Patron totaled \$83.50. Eight of the nine operating licensees (Hollywood being the exception) showed increases in February '96 when compared to January '96 totals.

The Administrator referenced various monthly reports. He stated that he has begun to evaluate credit issuance more carefully and the trend of the past several months appears to reflect a decrease in the amount of credit issued as a percent of AGR. He solicited further comments from Board. Chairman Johnson asked the Administrator for a more detailed background report on credit transactions.

The Administrator noted that several owner licensee renewals will be considered over the next few months. The annual renewal of Casino Rock Island will be considered in May. Annual renewals for Silver Eagle and Empress will be considered in July. Two licensees (Hollywood Casino Aurora and Casino Queen) have initial relicensure due in July and Harrah's initial renewal is due in August. Due to no meeting being schedule for August, Harrah's renewal may need to be considered in July as well. The Chairman suggested that one of the July renewal applicants be available to present their request for renewal in May. The Chairman also indicated that there may have to be an August meeting due to an overwhelming work load.

Lastly, the Administrator noted that Argosy Gaming Corporation, which was to complete its financial offering the week of March 19, voluntarily withdrew its \$235 million note offering from the market -- related to an investigation in Indiana.

Kathy Spain, Legislative Liaison to the Board, gave a brief overview of riverboat gambling legislation pending before the General Assembly Spring Session. She stated that fourteen bills have been introduced in the Senate and nine bills introduced in the House. It was noted that none of these measures appear to be advancing through the legislative process, with the exception of a measure to authorize EGDs for fraternal organizations.

The next order of business was Items Concerning Owner Licensees.

Andy Duggan, representing Harrah's Casino Joliet, requested approval of the new game Royal Match 21. Harrah's feels that this new game will add additional value and excitement for table game players. This item was for initial consideration by the Board.

Joseph Duellman, representing HP, Inc., gave a status report on the operations of the Silver Eagle in East Dubuque..

Mr. Duellman stated that HP, Inc. has operated in an atmosphere of pressure since the revision of the Iowa Gaming Act in 1994. Although the expansion of gaming in Iowa added significant competitive pressure to HP, Inc., the shareholders of the Silver Eagle have continued to meet their obligations to their employees, the state, the county and the community. Since June of 1995 shareholders have invested almost \$5 million in additional funds to meet their obligations and to keep the license viable in Illinois. Mr. Duellman also reported that HP, Inc. intends to recommence operations.

Mr. Duellman outlined a business plan that recalls the laid-off employees and resumes gaming excursion cruises aboard the Silver Eagle before the Memorial Day weekend. The business plan calls for an all slot operation which would emphasize aggressive payouts and promotions. Mr. Duellman stated that an all slot operation would enable HP, Inc. to reduce staffing and eliminate the on-going problem of recruiting experienced table game staff. HP, Inc. feels that they can provide a quality operation with high levels of customer satisfaction while minimizing operating costs.

Mr. Duellman updated the Board on the licensee's financial condition. He reported that the Silver Eagle was not profitable throughout calendar year 1995. He emphasized that although there has not been a distribution to HP, Inc. shareholders since May of 1994, they are still committed to fund the current business plan and will continue to met their financial obligations.

Mr. Duellman stated that all payment of interest and principal on bank debts are current. He reported that they are in a state of non-compliance on certain loan covenants but are in negotiations with each of the institutions and anticipate a resolution soon. Mr. Duellman reported that a number of employees filed a lawsuit under the Workers Adjustment and Retraining Notification Act ("WARN"). Due to the filing, a commitment to pay laid-off employees an additional week's pay was temporarily suspended, pending the outcome of litigation.

Chairman Johnson asked for clarification of the HP, Inc. market analysis. Mr. Duellman stated that the shareholders feel they can garner 20% of the area market and their Win per Passenger will be around \$25.00. He estimates the total area market at \$60 million. Chairman Johnson further asked for clarification on projected employment figures. Mr. Duellman stated he needs to verify the figure, but estimated 175 employees would be required.

Member Vickrey noted that the projected operating and budgeting data provided by HP, Inc. reflected the same (level) information for each month of the year. He asked if it wasn't more appropriate for HP, Inc. to assume the budget figures would vary from month to month. Mr. Duellman reported that they are still working on identifying specific market information and that he would report back to Board and the Administrator as they complete their analysis. Member Vickrey asked Mr. Duellman to submit a plan to the Board that reflects what HP, Inc. is going to do to attract customers. Member Vickrey further asked what the plans are to afford easier access to the boat. Mr. Duellman responded that he has been working for the past four years with both railroads that run between Route 20 and the casino. He reported that the most viable answer would be to build an overpass over and an access ramp off of Route 20 that would put the customers in the Frentress Lake area. He feels that although this is a solid proposal it will not happen in 1996.

Member Cudmore asked if the "all slot operation" was the future for HP, Inc. Mr. Duellman stated that as long as the existing regulations for boarding accessibility

stands, he believes that the best approach to becoming financially viable is to provide a low cost, lean operation, with an emphasis on customer satisfaction.

Member Pyatt asked to what extent HP, Inc. has kept Jo Daviess County informed as to this changed business plan. She also inquired as to what extent the county is willing to accept the changes proposed by HP, Inc. and work cooperatively with the company. Mr. Duellman reported that he will be appearing before the County Board on April 6 at their next full Board meeting to discuss HP, Inc.'s plans. He further remarked that relations between HP, Inc. and the county have been strained. Member Pyatt asked that he report to the Administrator the county's reaction at the April 6 meeting.

Chairman Johnson asked Mr. Duellman to comment on the legislative relief HP, Inc. was seeking. Mr. Duellman stated that the shareholders would like to see the Gaming Board given authority to act on petitions of relocation. Company officials have been working with both the House and Senate to encourage this type of authority to be given to the Board. Chairman Johnson further asked Mr. Duellman to address the issue of the Governor's differential tax rate plan and how this will impact HP, Inc. Mr. Duellman feels that the proposed tax structure still places a heavy burden on smaller operations and would like to see some adjustment to the admissions tax burden.

Member Vickrey asked who would be responsible for the day to day management of the casino. Mr. Duellman reported that they have a candidate in mind but have not selected any one at this time. Member Vickrey impressed upon Mr. Duellman the importance of hiring someone with good slot marketing experience and a proven track record of generating revenue through slot promotions.

The next order of business concerned Supplier Licensees.

Member Cudmore moved that the Board approve Bud Jones Company's application for renewal of its supplier's license. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

Donna More, representing WMS Gaming, Inc., requested renewal of their supplier's license.

Member Cudmore moved that the Board approve WMS Gaming, Inc.'s application for renewal of its supplier's license. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

Member Vickrey moved that the Board approve Robert M. Jackson as a Key Person of GDC, Inc. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Occupational Licensees.

Member Browder moved that the Board adopt the staff recommendations and approve 106 applications for an Occupational License, Level 2, and 223 applications for an Occupational License, Level 3, and deny 8 applications for an Occupational License, Level 3. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Administrative Hearings/ALJ Reports.

Member Browder moved that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and deny Martin Gruttadauria's application for an occupational license, level 2. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

Member Browder moved that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and deny Miguel Bello's application for an occupational license, level 3. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

Member Browder moved that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and revoke Jose Fontanez' occupational license, level 2. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

Member Browder moved that the Board, having reviewed the Administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and deny Dennis Kilgore's application for an occupational license, level 2. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

Member Browder moved that the Board grant Christopher Swancutt's request to withdraw his request for a hearing and grant him leave to reapply. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Complaints and Disciplinary Actions.

Member Pyatt moved that the complaint for disciplinary action against Sean Porter be issued and that his occupational license be revoked. The complaint involves Mr. Porter's obtaining unauthorized control over one thousand dollars belonging to the Empress casino. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

Administrator Belletire stated that he was contacted by Daryl Barklow, President of the East Dubuque Area Economic Development Corporation, who submitted a letter

to the Board indicating that they did not want to make a presentation as indicated at an earlier Board meeting, but did want the Board to know that area business and civic leaders support a gaming license for Jo Daviess County. Mr. Belletire further stated that communication was received from Sara Fisher who restated her concerns over commitments made by HP, Inc. about fish and wildlife issues. The Chairman asked that the correspondence from both parties be forwarded to the licensee.

There being no further business to come before the Board, Member Pyatt moved that the Board stand adjourned. Member Cudmore seconded the motion. The motion was approved unanimously by voice vote and the Board adjourned at 1:55 p.m.

Respectfully Submitted,

Susan A. Offord